

Rise and Fall - or Transformation?

The Evolution of Strategic Planning at the General Electric Company, 1940–2006

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We challenge conventional accounts of the rise and fall of strategic planning by examining the history and evolution of strategic planning practices at the General Electric Company (GE) during six CEO regimes: Wilson, Cordiner, Borch, Jones, Welch and Immelt. We distinguish strategic planning — a system of strategy formulation, decision making and control — from particular planning technologies such as SBU planning. We show how an integrative system of strategic planning was first established in GE in the 1950s and continues, albeit transformed, to this day. Integrative strategic planning at GE was originally called *long range planning*, later *strategic planning*, and after the abandonment of SBU planning, *GE'S Operating System*, but changes in the use of labels mask continuities in prevailing practices. The history of strategic planning at GE has several implications for contemporary strategy making: first, the practice of strategic planning cannot remain static but must evolve to facilitate changes in corporate agenda and management style. Second, the CEO's involvement in design of the strategic planning system is critical to its endurance and centrality. Third, specialized governance channels for decision-making and communications focus attention of corporate executives on distinct, yet critical, planning tasks to shape the corporate agenda. Finally, the tight coupling of information and communication flows across governance channels is critical for the overall integration and effectiveness of the strategic planning system.

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Introduction

The role and importance of strategic planning in corporate practice remains a subject of controversy for both academics and practitioners. Hailed as a critical corporate function during the

late 1960s and 1970s, its effectiveness came under attack in the 1980s and 1990s.¹ The decline of corporate staffs during the 1980s was widely reported in the business press, even though at the same time strategy consulting firms flourished and expanded in size and offerings. Hamel, Prahalad, Pascale and have others questioned the contribution of strategic planning to firm innovation and global competitiveness, and these critiques culminated with Mintzberg's influential and award-winning 1994 treatise *The Rise and Fall of Strategic Planning*, which focused on the failings of formal planning processes and described its widespread abandonment.²

Yet the topic of strategic planning remains visible in the research literature, with almost 900 papers on the subject being published since 1995.³ Recent studies suggest that strategic planning is not extinct, but that it has evolved in response to dynamic environmental conditions.⁴ However, if strategic planning is not 'dead', in what form has it survived? How has strategic planning practice changed?; how is it practiced in large corporations today? and can formal strategic planning still benefit large, multi-business corporations?

Recent studies suggest that strategic planning is not dead: but in what form has it survived?

To help answer these questions, we study the history and evolution of strategic planning at the General Electric Company (GE). Since the early 1970s - if not earlier - GE has been a model and archetype for effective strategic management practices, and the introduction of portfolio planning and the implementation of the strategic business unit (SBU) concept by then-CEO Fred Borch in the early 1970s has led the company to be considered as an early developer of corporate strategic planning. This was further developed under his successor, Reginald Jones, and the GE strategic planning system was promoted as a best practice for diffusion to other corporate settings. However, strategic planning at GE is widely viewed as having been substantially abandoned under Jack Welch, when he decimated strategic planning staffs at the corporate and business unit levels, and focused instead on corporate-level initiatives, such as restructuring, cultural change and Six Sigma.

Based on the highly visible changes under Borch, Jones and Welch, Mintzberg characterizes GE as FIFO (first in-first out) as far as strategic planning was concerned, and widely emulated both in its adoption of a formal strategic planning system, and its abandonment. Under Jeffrey Immelt, the importance of strategic planning appears to have grown once again, with the role of strategic planning now highlighted as part of GE's growth strategy and corporate governance practices. Does GE's practice of strategic planning conform to Mintzberg's characterization, or to those of other strategy scholars?⁵ Given GE's prominence as a widely admired model of effective management, we seek a clearer understanding of how strategic planning evolved at GE, and to provide insights on the broader question of its rise, fall and transformation in other large multi-business corporations.

To understand the evolution of strategic planning at GE, we examine the history of corporate and business-unit planning under the regimes of six CEOs from 1940 to the present—Charles E. Wilson, Ralph J. Cordiner, Fred J. Borch, Reginald H. Jones, John F. Welch and Jeffrey R. Immelt. We begin our analysis in 1940 to explore whether and how planning was undertaken at GE prior to the formal development of what later became known as strategic planning. In exploring the evolution of planning, we examine how practices were shaped by changes in the firm's structure and strategy. We utilize both primary and secondary data sources to analyze changes in the formal agendas, decision-making channels, roles and vocabularies that have constituted strategic planning at GE. Our methodology uses both narrative analysis and analytical induction, relying on evolutionary perspectives on strategy and the attention-based view of the firm to help guide our analysis and interpretations.⁶

Our analysis yields a different view of the evolution of strategic planning at GE from standard accounts such as those by Mintzberg and Chandler. As we discuss below, the practice of strategic

planning began earlier than previously thought, albeit in a less developed form and under different labels and organization. The practice was later renamed and transformed under Jack Welch, but not abandoned. Strategic planning practices were conducted as part of GE's commercial development and post-war planning during the 1940s. Since the early 1950s, GE has adopted an integrated system of long range planning which incorporated activities that we would now consider strategic. While this system has evolved with changing activities, positions and vocabularies, an integrated system of planning, focused on guiding strategy formulation and implementation, remains in place to this day. In analyzing GE's history, the rise and fall of large strategic planning staffs experienced at GE and in other large U.S. corporations must be distinguished from the overall practice of strategic planning. Strategic planning continues to thrive at GE, albeit in altered form.

GE adopted an integrated long range planning system in the early 1950s, incorporating activities we would now consider strategic. [Despite] changing activities, positions and vocabularies, it remains in place today.

We explore the implication of our findings for research on strategy processes and practices and for strategy practitioners in large multi-business corporations. We focus on strategic planning as a system, with an evolving set of component positions, vocabularies, decision making channels, agendas and routines. We find that GE's evolving corporate and business unit planning practices continue to offer a viable model of best practice.

What is strategic planning?

In exploring the evolution of strategic planning we first define the term, as its meaning and usage varies widely in both the academic literature and in strategy practice. Developing a consistent definition of strategic planning is important for our efforts to study its history and evolution because, as we will see in the case of GE, organizations may engage in strategy development and planning without labeling these activities as such. While language and labels are important in organizing, we believe it is critical to distinguish the evolution of labels and vocabularies from the evolution of practices.⁷

We define strategy as a framework, either implicit or explicit, that guides an organization's choices of action. We interpret this definition broadly and view strategies as planned and emergent, resulting from strategic design, the evolution of a pattern of decisions, or a combination of the above. Consistent with a strategy as practice perspective, we define strategic planning as a form of planning practice intended to formulate strategy. Strategic planning is therefore a particular form of strategizing, one that involves the application of planning practice.⁸

Following Mintzberg, we define planning as a formalized procedure to produce an articulated result in the form of an integrated system of decisions, and focus on formalization as the key criterion that distinguishes planning from other activities of strategy design or formulation. We identify three necessary conditions for formalization:

- The articulation of goals and objectives for planning;
- Establishment of a division of authority and responsibility for planning, implementation and control;
- The development of standardized planning procedures.

This definition implies that strategic planning is a management practice developed for the purpose of intentional strategizing. Before its use in the corporate sector, strategic planning was adopted by the U.S. War Department during World War II, referring to the activities of the

Army and Navy Generals and staff in providing support for the President and Commander-in-Chief in planning for the missions and deployment of U.S. and Allied forces on the various war fronts. Strategic planning was viewed as *'the principal instrument by which political leadership arrives at an accommodation between the compulsions of politics and the realities of war, exercises control over military operations, and allocates the means necessary to support them.'* According to the official War Department perspective, strategy formulation, strategic control and resource allocation were all part of the purview of strategic planning, and was undertaken by staff in conjunction with both line officers and the President as the top leader.⁹

Second, we need to distinguish strategic planning as a formal and scripted, yet ad hoc, activity from strategic planning as an integrated system of strategy formulation. Standard accounts of the history of corporate strategic planning as an integrated system suggest that strategic planning in the U.S. evolved from long range planning, and from attempts to distinguish between the two.¹⁰ In the post World War II period, planning for sales growth and manufacturing expansion was a critical issue for industrial companies faced with increasing domestic and international markets. According to this view, long range planning was adopted (to quote Hax and Majluf) as a *'bottom-up functional process which generates a set of plans that are little more than the budgets extended over a long time horizon.'* We concur that long-run budgetary, financial and manpower planning are not a form of strategizing, and are therefore distinct activities from strategic planning. But some forms of long range planning activity are strategic: again, we must distinguish the labels used to describe the activity from the actual practices.

Management theorists first began to use the label 'strategic planning' to characterize a system of planning practices during the mid-1960s. Igor Ansoff's influential 1965 treatise on corporate strategy presented a normative model for integrated strategic decision making which highlighted a formal role for strategic planning. He linked strategic planning to the establishment of objectives, the development of product, market, administrative and financial strategies, and the development of a strategic budget. In the same year, Norman Berg published the first article on strategic planning in *Harvard Business Review* which focused on the practice of corporate planning in large diversified companies, highlighting the use of corporate planning not only for capital budgeting, as typically emphasized, but for identifying new product and project initiatives.¹¹

Third, we need to understand whether and how the components of the strategic planning process are integrated. If strategic planning becomes decoupled from implementation, planning can become a staff function of limited import, typically relegated to the development of information, reports and analysis, and only loosely coupled to executive decision making.¹² Consequently, we consider the integration of planning and executive decision making as a key question for the effective implementation of strategic planning. Integration requires:

- A rationalized process of executive decision making;
- The incorporation of planning into executive decision making;
- The incorporation of planning into management control systems.

Prior research on strategic planning has yielded conflicting results on how planning and decision making are integrated. In an early case study of resource allocation in a large multi-business firm, Bower found that those who identified opportunities deep inside the organization were structurally separated from those who allocated resources. Consistent with this view, Grant's more recent analysis of strategic planning in the oil majors suggests that planning activities in large multi-business firms reside in large part, at the business unit level, creating an emergent process of strategy formulation at the corporate level which is decoupled from formal strategic planning systems. Others have indicated that component activities are more directly integrated. In a large-scale study of UK firms, Hodgkinson and colleagues found that strategy workshops are often tightly linked to formal processes of strategic planning. Similarly, Burgelman demonstrated that administrative systems allow for tighter linkages between corporate decision making and operations.¹³

Therefore, in considering the history and evolution of strategic planning at GE, we also consider the extent to which strategic planning was an integrated activity, and how formal corporate-level planning processes have shaped resource allocation and strategic decision-making.

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Data and methods

We undertook an analytical history of strategic planning at GE from 1940 to 2005. Using historical interpretation and analytical induction, we explore how strategic planning practices evolved at both the corporate and business unit levels. Given the various organizational structures at GE during its history, business unit levels include the department, division, group, sector, strategic business units and businesses.

Data for the study is drawn from several sources: 1) public documents including annual reports, proxy statements, and speeches; 2) historical documents from the GE corporate archives in Schenectady, New York, including Board of Directors minutes, executive correspondence, corporate newsletters, and organizational charts and directories; 3) interviews with current and former GE employees; and 4) newspapers, magazines and books published from 1940–2005 that concern General Electric, its CEOs, subsidiaries, or operational units.

In our analysis, we examine the evolution of strategic planning under the regimes of six CEOs: Charles E. Wilson (1940–1950), Ralph J. Cordiner (1950–1963), Fred J. Borch (1963–1972), Reginald H. Jones (1972–1981), John F. Welch (1981–2001) and Jeffrey R. Immelt (2001–present). Historical interpretation and analytical induction was used to systematically examine the similarities and differences between corporate and business unit planning during these six regimes and to develop key explanatory concepts.

We rely on an attention-based theory of the firm to guide our analytical history and historical interpretation. The attention-based theory views strategy as the pattern of organizational attention, the distinct focus of time and effort by the corporation on a particular set of issues (problems, opportunities, or threats), and on a particular set of initiatives (routines, programs, projects and procedures). According to this perspective, strategy decision making involves selective attention to both issues and initiatives, and is situated in the firm's formal and informal decision-making channels. The firm's structures of attention — its culture and rules, formal structure, political leadership and resources — shape the firm's focus of attention, thereby guiding how strategy is formulated and implemented.¹⁴

First, we examined and recreated the corporation's formal network of decision making channels that focused attention on formal strategic planning issues and initiatives. We term these channels *governance channels*: they are the concrete settings, integrated into the firm's hierarchy, where corporate executives and senior level managers govern the allocation of resources within the firm, and which provide the opportunities for strategic decisions to occur. Governance channels allow internal communication and decision making, and facilitate the process by which corporate executives plan, coordinate, and control the operations of the corporation and its business units.¹⁵

For each CEO regime, we analyzed the specific set of governance channels that focused attention on strategic planning concerns within the firm. Second, we examined a set of factors that serve to structure attention in the firm's decision making channels: the structural and strategic context that shapes executive attention, the formal positions with strategic planning responsibilities and authority, the vocabularies used to refer to strategic planning, and the differences between the various CEOs - the top political leadership in the corporation — and explored how these component variables changed over time.

To do so, we relied on extensive documentation of the key forums where senior managers discussed major initiatives, and paid particular attention to the transition years, when coverage in both company documents and secondary sources was especially thorough. After reconstructing the network of decision making channels and other key component variables under each CEO, we conducted interviews to verify our findings. For each of the interviews, we focused on key initiatives such as decentralization under Cordiner and Six Sigma under Welch which served to illustrate the channels, positions and vocabularies through which planning took place. In all, ten interviews were conducted with employees under Cordiner, Jones, Welch and Immelt to test our conjectures: for Wilson's regime, we had to rely on secondary data. Based on this input, we made minor revisions to our findings, although, because of GE's popularity in the press, and the company's own emphasis on structure and process, our initial models proved to be mostly accurate.

The history of strategic planning at GE

GE was founded in 1892 with the merger of the Edison Electric Company and the Thomson-Houston Company. From its origins, GE was a broadly diversified company, with early businesses including lighting, power transformers and a wide variety of electrical components for industrial, commercial and residential use. A concern with long range planning for growth, orchestrated by powerful, hands-on Presidents, pervaded GE's strategy in its early history. Top-line growth was a chief focus of GE's centralized planning, with comparisons to U.S. growth in electricity used as a key performance metric.¹⁶ Driven by its concern with increasing demand for electricity consumption and relying on its research and development capabilities for organic growth, GE began developing a variety of appliance businesses, including electric fans, heating and cooking appliances. Diversification, driven by both technological and market opportunities, was a core growth strategy for the company, yet despite its business breadth, centralized management also dominated until the mid-20th century.

Charles E. Wilson (1940–1950)

Wilson was appointed President (*de facto* CEO) in 1940, with Philip Reed serving as Corporate Chairman.¹⁷ GE had a hybrid structure with functional departments for its main apparatus lines of business, separate Appliance and Lamp Departments, regional sales departments and separate subsidiaries. Given GE's hybrid structure, a series of line-staff committees were used to coordinate management operations. Central to GE's corporate agenda during Wilson's tenure were three major initiatives: 1) planning for war production and mobilization, 2) post war production and organization, and 3) the development of a decentralized management organization.

The line-staff committees at corporate headquarters undertook various planning activities. Decision-making channels with planning responsibilities included 1) the President's Advisory Committee, which focused on performance review and policy development; 2) the Special Committee for Post-War Planning, established in 1941 and 3) the Engineering Council, which planned for new product development and commercialization opportunities. While no specialized planning positions existed, Ralph Cordiner, as Assistant to the President, was placed in charge of organizational planning, with the specific task of developing a decentralized structure to support its continuing strategy of diversification through organic growth.¹⁸

Long range planning was part of Wilson's management practice and culture. It was strategic in that it focused on the corporate objectives of growth and profitability.

Long range planning continued to be part of the vocabulary, management practice and culture of GE during Wilson's tenure, and helped shaped subsequent developments. It was strategic in that it focused on accomplishing the corporate objectives of growth and profitability, although with a less explicit focus on competitive position than in later incarnations. Although the term *strategy* was not part of GE's vocabulary at this point, at times long range planning went beyond forecasting and operational planning to involve strategizing. More explicit strategic planning activities were undertaken as part of GE's commercialization and post-War development efforts, albeit in an ad hoc manner. For example, the Special Planning committee, while focused on long run forecasting and operational planning rather than strategizing, also considered and recommended the development of new strategy initiatives and orientations. The key activity for the committee was forecasting sales, production capacity and expansion needs, and employment for existing product lines. This only involved limited strategizing, but as part of the process, strategic guidelines were also considered and explicit policy recommendations made to increase focus on the sale of consumer goods during the post-War period. Similarly, the Engineering Council developed strategic plans for expansion into the specialized chemical businesses, thus entering new business segments and departing from GE's existing policies that had favored licensing technologies beyond its traditional focus on the fields of electricity and electronics.

However an integrated system of strategic planning did not yet exist under Wilson. Operational planning was not clearly distinguished from strategic planning, and clear lines of authority and responsibility were not delineated. Overall strategy and policy development authority resided with the President, but the division of labor below this level was not formally articulated. This lack of rationalization was not unique to strategic planning, since GE's system of overlapping governance channels were not tightly coupled, making determination of authority and responsibility for executive decision making below the President's level unclear.¹⁹ Nevertheless, the collaboration and participation of both staff and line positions in GE's internal planning channels, a key characteristic of the process, were precursors to subsequent developments.

In 1943, Cordiner began planning the reorganization of the firm's management. The first stage in decentralization was implemented in 1945, with the adoption of a multidivisional firm, with six separate departments as operating divisions. Other planning processes were not significantly altered, with the responsibilities for strategic planning remaining with the President, assisted by his Advisory Committee.

Ralph J. Cordiner (1950–1963)

Ralph Cordiner became GE's President in 1950 when Wilson was recalled to Washington to assist in planning for the Korean War. In 1951, he implemented the previously planned radical decentralization of the corporation, which fundamentally altered GE's management and planning practices. The reorganization decentralized operations within GE at three levels below the President, and separated the operating units from corporate staff functions. The line of operating command created a vertical multi-level chain of reporting channels, adding two levels to the corporate hierarchy, and turning GE into a bureaucracy governed through a system of reporting, financial review and planning channels. Departments, as the basic operating units of the organization, reported to Divisions, Divisions reported to Groups, and Groups reported to Cordiner. Initially there were 51 Departments, 21 Divisions, and 5 Groups. Only the Department level had staff functional activities, such as marketing, engineering, manufacturing and finance, attached to them, and each Department was considered a separate business with a clear charter of business responsibility and limited coordination of operating activities between them.

While operating responsibilities were decentralized to the Department level, what GE then called long range planning was now formally designated as a collective responsibility of both line (Group heads) and staff (then called Service Departments) at the Executive Vice President level. Both line and staff senior Executive VPs were located at corporate headquarters, now formally designated as the Executive Office of the President. At the corporate level, the key governance channel for long range planning was the Executive Advisory Committee, which included both Group and Service

Department executives, with the latter slightly outnumbering the former. Members of the Executive Advisory Committee were responsible for spending 20% of their time to help the President plan the company's management, objectives, growth and course ten or more years ahead. Cordiner himself notes that corporate-level long range planning during his era focused attention mainly on the growth and competitive profitability of the operating units.

While long range corporate planning was officially a collective responsibility with no staff officer in charge, two staff positions played a prominent role in the conduct of strategic planning, the VP of Management Consultation Services (Harold Smiddy), and the VP of Marketing Services (Fred Borch). Smiddy was in charge of organizational planning, and responsible for coordinating the allocation of new lines of business charters to GE's various operating departments,²⁰ while Borch developed the 'marketing concept', which was publicly unveiled in GE's 1952 Annual Report:

The marketing concept introduces the marketing man (sic) at the beginning rather than at the end of the production cycle and integrates marketing into each phase of the business. Thus marketing, through its studies and research, will establish for the engineer, the designer and the manufacturing man, what the customer wants in a given product, what price he is willing to pay, and where and when it will be wanted. Marketing will have authority in product planning, production scheduling, and inventory control, as well as in sales, distribution and servicing and servicing of the product, the different manners that one may segment a market, and the criteria for effective segmentation.

With the adoption of this concept as official GE policy, Marketing Services had substantial influence over GE's long range planning, and became a major source of data and analysis. In 1960, Borch worked with John McKitterick, his Director of Marketing Research, to develop a new planning methodology for measuring the profit impact of marketing initiatives. Originally developed as part of the GE's Project PROM (Profitability Optimization Model), this initiative was later developed into PIMS (Profit Impact of Marketing Strategies), one of the first quantitative strategic planning tools developed in the U.S.²¹

Long range planning was also the responsibility of line management at the Department, Division and Group levels. Both Group and Division executives were responsible for developing policies and plans for their respective areas. Departments prepared both annual budgets and annual business plans, subject to review by the Executive Office and approval by the President. Cordiner developed a key corporate and staff review channel - the Annual Business Review - which directly linked the Department operating units with the Executive Office. These Annual Business Reviews brought the President, group executives, and the balance of the Executive Office (i.e. selected representatives from services) to the department locations for one or two days to sit down with the local people, to review current operations, the ten-year forecast, and go over personnel issues in an informal 'talk out loud' manner.²² The meetings would typically draw attention to the needs of the service areas, and provided for both top down and bottom up communications. Given their structure and content, business reviews were mechanisms for implementing corporate policies and planning initiatives, and served to increase the coupling between operations, financial planning and long range planning. Given the direct participation of the President, Annual Business Reviews were a key mechanism for implementing corporate strategy at the operating units level, although as many issues and initiatives were discussed at the reviews, these channels would have been limited in their ability to link all functions under their purview tightly.

The practice of long range planning at GE under Cordiner differed from textbook accounts of the term, focusing on policy development and competitive profitability, as well as organic growth through the commercialization of new technologies and marketing initiatives. GE entered major new markets under Cordiner's tenure, including computers, specialty plastics and nuclear power generation. Long range planning, as practiced at GE, was critical for new

initiative development, as these technologies had long lead times before they could be expected to break even or generate profits. For example, corporate investments in the commercialization of Lexan, a polymer plastic, began in 1954, pilot plants were developed in 1957, and the product was not profitable until 1965: the long range planning activities at Divisional and Corporate levels were critical to maintaining corporate funding and support for this project.²³ The computer business was another interesting example, as Cordiner rejected the initial plan for entry into the computer business, submitted by the Electronics Division in 1956, but the Division won a competitive bid for business from Bank of America and entered the business surreptitiously. By 1959 the President's Office had relented, and a formal plan to enter the business was approved in 1960.²⁴

what was called long range planning under Cordiner [was] an integrated strategic planning system, linking corporate policy development and Departments' and Divisions' ongoing projects and initiatives

Without relying on the label *strategy* or *strategic*, what was called *long range planning* under Cordiner can be considered an example of an integrated strategic planning system, as defined above. An integrated system of planning reviews and evaluations was instituted, providing a link between corporate policy development and the ongoing projects and initiatives of the Departments and the Divisions.

Fred J. Borch (1963–1972)

Borch, the former Marketing Services executive, became CEO in 1963. During the Borch era, several important changes were made in GE's strategic planning. These included 1) the adoption of formal planning positions at the corporate and business unit levels; 2) a shift in vocabulary from long range planning to strategic planning; 3) the development of formalized portfolio planning; 4) the adoption of the SBU concept for strategic planning at the business unit level; and 5) the development of two key strategic channels for top management strategy development and decision making — the Corporate Executive Office and the Corporate Policy Board.

Borch's background as a staff executive gave him a greater appreciation than Cordiner of the role of corporate staff in strategic planning. Borch appointed John McKitterick, his former director of Marketing Research, to the new position of Manager of Corporate Planning in 1963, a position that was elevated to the Vice President level in 1967. From his appointment, McKitterick led a special strategic planning activity — the Growth Council - where a group of outside experts worked to identify nine targets for expansion at GE, including commercial jet engines, community development, computers, education, housing, industrial and personal services, medicine and nuclear. The Growth Council's report served as rationale for Borch's continued investment in jet engines, nuclear power, and computers, despite their drain on firm resources. Under Borch, planning staffs were also appointed at the various levels in the corporation — Departments, Divisions and Groups.

Faced with both an increasing size and scope of the firm and a period of 'profitless growth', Borch instituted a series of corporate reorganizations that led to the development of the Chief Executive Office (CXO) in 1968.²⁵ With the assistance of outside consultants from the Boston Consulting Group and McKinsey, he also developed the concepts of SBUs and portfolio planning. The CXO was composed of Borch, as Chairman and CEO, and three Vice Chairmen, and this office became a strategic planning channel, meeting regularly to develop and implement corporate

policies and review corporate operations. In Borch's report to the Board of Directors (17 November 1967) he notes:

the primary responsibilities of the members of the Office would be to realize an improved degree of integration of the total effort of the enterprise; to undertake external representation of the corporation's interests; to achieve the best possible balance between short and long term plans; to direct the speed of the Company's growth and its direction to formulate Company-wide policies. The members of the [Corporate Executive Office] would not only have the right to look into any operation of the Company but would also have the obligation to look.

With the continued decentralization of operations, GE's corporate strategy of market expansion did not always lead to profitability, as competitors often significantly outperformed GE, particularly in major new ventures such as computers and nuclear power. To establish a more strategic focus to business planning, Borch engaged McKinsey in developing new processes for what became known as a strategic planning system. Unlike previous business planning processes, which had been coordinated through the line chain of command, strategic planning was designed to consider the competitive marketplace directly. Strategic planning, separate from operational business planning, became a new mechanism for the vertical review of GE's business activities.²⁶ A corporate strategic planning unit was put in charge of coordinating the strategic planning review process, which was then reviewed by the CXO.

A critical design issue for strategic planning channels was the level at which strategic planning would take place. Given the competitive orientation of strategic planning, McKinsey consultants felt that the appropriate business unit level for the organization did not conform to GE's formal reporting channels. They originally recommended GE reorganize the company so that SBUs became the new level of decentralization at GE, rather than product departments. This proposal met resistance from GE general managers threatened by the removal of their profit and loss responsibility. A corporate task force designed to explore the consultants' proposal was created, and Borch followed the task force's recommendations and chose instead to develop a parallel organizational structure, with the SBUs superimposed on the existing group-division-department organizational reporting structure. SBUs were not separate organizations, but CXO was to designate whether a specific department, division, or group was the 'correct' business unit level at which competition took place. While most SBUs were divisions, some were departments, and others groups, and whichever organizational level was designated as an SBU was to be responsible for strategic planning. Planning remained a partially decentralized function: SBUs themselves prepared the plans, albeit under the guidance, supervision and review of corporate planning staff. It is important to emphasize that this partial decentralization of strategic planning at GE under Borch (and subsequently under Jones) contrasts with how the situation has been characterized by Mintzberg and other critics.

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Borch's 1968 reorganization more directly decoupled strategy and policy development from operations by removing the Group Executive from the Office of the Executive and centralizing corporate policy and strategy development at the level of the CXO and corporate staff departments. Cordiner's Advisory Council had evolved into the Corporate Policy Committee, which included Senior Vice Presidents of Corporate Staff, but had excluded the Group executives. To assist in corporate policy formulation and implementation, Borch established two additional corporate staff

channels, the Corporate Executive Staff and the Corporate Administrative Staff. The former included corporate development, strategic planning and research and development, and was in charge of the long run strategic direction of the company. The latter included finance, human relations, legal and public relations, and was concerned with coordinating implementation of corporate policies and strategies. Coordination of corporate policy and implementation was centralized at the CXO level.

Borch continued the diversification trajectory, focusing on three corporate-level initiatives: computers, nuclear power and jet engines. The first two were major cash drains on GE, and contributed to Borch's era being considered one of profitless growth. In May 1970, GE successfully exited from the mainframe computer business. Reginald Jones, the VP of Finance and subsequently Senior VP and de facto CFO, played an important role in planning and implementing this divestiture, signaling the emerging importance of finance in the strategic planning process.

Reginald H. Jones (1972–1981)

Under Reginald Jones, GE instituted a tightly coupled managerial system that linked strategic planning, business review, financial control, budgeting and manpower planning. He built on the component governance channels developed under Borch by instituting architectural innovations that changed the relationships between the component units by increasing the horizontal linkages in the management system.²⁷

Jones instituted a tightly coupled managerial system that built on the component governance channels developed under Borch by instituting architectural innovations changing relationships between units

In 1977, Jones reorganized the company into Sectors, and Groups and SBUs now reported to them, rather than directly to the CXO. Given the continued growth of the company and expansion in numbers of SBUs and Groups, the number of strategic plans, manpower reviews, budgets and operating plans, and financial reports received by the CXO was becoming extremely large, and in particular, corporate review of SBU plans was suffering from overload. Jones explained:

*It required a tremendous amount of effort, even though we kept a corporate executive staff in place to review these plans — review them not from a functional viewpoint, but from a business executive's viewpoint. Well, after we'd developed these strategic business plans and had begun to gain some appreciation of them, we found that again, we were committing too much of the time of the corporate executive office — the chairman and the vice-chairman.*²⁸

To resolve the issue of cognitive overload and to focus the attention of the CXO systematically on both strategy policy and formulation issues, Jones developed a well integrated planning system, coordinated through the Corporate Policy Board, a new level of line management, and the Corporate Executive Council, a new group for coordinating strategy implementation and operations. Sectors, introduced in 1977, coordinated both the decentralized line operations and the SBU strategic planning process, and their introduction had two other objectives: to select and groom a successor to Jones as the CEO, and to allow Jones more time and attention to focus on his role as a corporate statesman in public policy areas. Sector heads were appointed to lead groups other than those they originated from: one such was Jack Welch, Sector Head for Consumer Products and Service Sectors, who originally came from the plastics business.

The Corporate Executive Council (CEC) became (and continues to be) a key forum for the senior management of the GE corporation, and its members included both senior corporate staff

officers and sector executives. Under Jones, the focus of the CEC was primarily corporate strategy implementation and operations, rather than strategy formulation; strategic issues were the responsibility of the Corporate Policy Board, a separate channel. The CEC provided a critical horizontal communications linkage between staff and line as well as between sector heads themselves.

Jones inherited the various staff review channels developed by Borch. In addition to the traditional line reporting and review channels which focused on appraisal, budgeting and operational results, GE had separate channels for strategic planning, manpower planning and financial reporting, each of these flowing upwards through corporate executive staff, rather than through line channels. Initially, these separate governance channels were not directly coupled, but were integrated occurred primarily at the CXO level. Jones created a more tightly coupled structure by more directly linking manpower planning and review with strategic planning targets, linking strategic planning with capital budgeting, and linking operational budgeting and review with strategic planning and long-term forecasting. All three review processes reflected financial performance targets and operating reviews, which were linked with Monthly Financial Reviews.

Corporate staff continued to develop under Jones, particularly the Executive Manpower Staff developed under Borch. Manpower reviews were now constituted as 'Session C' - a channel for planning and evaluating managers - and were closely tied to both strategic planning initiatives and to financial goals and objectives. Executive manpower executives were assigned to each sector, group, division and department, and reported to the Executive Manpower Staff, with dotted line responsibility to line managers. Session C reviews were particularly significant as both line managers and Executive Manpower professionals visited the field to evaluate the performance of GE managers on-site. These on-site performance reviews served to link the operational and strategic objectives of the firm.

The integrated system of planning included two separate planning channels, designated as Session I and Session II. Session I integrated the SBU planning process with the capital budgeting process, while Session II integrated operational planning with long-term forecasting. Both Session I and Session II were linked to financial planning and the Senior VP of Finance, as a member of the Corporate Policy Board, participated in its review. Session II, in particular, focused on financial forecasts. In general, strategic planning channels were tightly coupled with staff activities but (except for Session II) were less coupled with the sectors' operating activities.

Jones eliminated the Corporate Executive Staff and Corporate Administrative Staff channels developed under Borch, but expanded the Corporate Policy Board's role to include assisting in the formulation of corporate policies and strategies, as well as reviewing and coordinating sector level strategies and plans. The focus of Jones' strategic planning process was the corporate and staff review of SBU and sector plans, rather than on corporate-level planning, which, in 1980, led Daniel J. Fink, the newly-appointed senior vice president for corporate planning and development, to question the adequacy of the existing strategic planning process to meet GE's growth challenges:

*The vision of GE in 1984 that we got from the long-range forecasts is very much like GE in 1979—same product mix, same international mix, same strategy of leveraging earnings over sales growth...It's that contradiction of a steady-state GE and a rapidly changing world that gives us, I think, the key strategic issues as we enter the eighties.*²⁹

The result of this new strategic vision was the call for targeting broad-business areas, designated as arenas, for future growth, and the recognition that the traditional bureaucratic structures would not be able to achieve the necessary coordination across existing businesses. While ostensibly under the purview of the Corporate Policy Board, further development of the arena concept was made difficult because this corporate strategy formulation channel did not include participation by the sectors, the corporation's senior line managers.

Jones, more than other CEOs, relied on decentralized strategic initiatives developed at the sector and SBU level. An important exception was the acquisition, in 1976, of Utah International,

a billion-dollar mining company with substantial holdings of metallurgical coal, which he saw as representing an area of earnings growth and as a hedge against inflation.

John F. Welch (1981–2001)

Jack Welch was a chemical engineer who rose through line management in GE's highly- profitable chemicals businesses before becoming Sector head for Consumer Products and Services in 1977 and CEO in 1981. Welch's early tenure at GE was characterized by extensive restructuring, elimination of bureaucratic layers, drastically reducing the headcount, and largely reducing corporate staff, including widely publicized cuts in corporate and SBU planning staffs. Early in his tenure, Welch abandoned portfolio planning and adopted instead a simple rule - that every business should aim to be #1 or #2 in their market, or risk being divested. This strategic planning rule resulted in GE embarking in numerous divestitures, including legacy businesses such as air conditioners, housewares and electronics, as well as the recently acquired Utah International.

The reduction in planning staff throughout GE was accompanied by the elimination first of strategic portfolio planning process, and subsequently of the SBU structure. In 1985, Welch undertook a radical change in GE's formal structure, eliminating the Sector, Department and Division levels, and centralizing business unit operations and planning at a newly-created level 'the Business' - roughly equivalent to the Group level under Cordiner, Borch and Jones.

Traditional accounts of Welch's tenure credit him with either eliminating corporate strategic planning, or decentralizing it to business units.

Traditional accounts of Welch's tenure, such as those by Mintzberg, credit him either with eliminating corporate strategic planning, or with decentralizing strategic planning to the level of the business unit. Welch demoted planning from Senior Vice President to Vice President level, and changed the title of the position VP of Planning and Development to VP of Development and Planning in 1987, and again to VP of Development in 1990. This change partly reflected the increasing importance to GE's corporate strategy of acquisitions and divestitures. The acquisitions process was particularly important for GE Capital, which closed more than 400 deals involving more than \$200 billion in assets during the 1990's. GE Capital had more than 200 people dedicated to looking for acquisitions. GE Capital had its own separate board, including the CEO and the corporate CFO, which approved all acquisitions. Given the importance of GE capital and its acquisitions for GE's growth during the Welch era, the GE Capital Board should be considered one of the corporation's key governance channels.

In 1991, a new position of VP of Financial Planning was instituted, absorbing some of the functions previously ascribed to the previously corporate planning functions. But as the development staff became increasingly involved in corporate strategic planning initiatives, strategy consultants were hired to fill these positions. As Welch explained:

To assist this relentless sharing of best ideas, we built a corporate initiatives group. This is the only corporate staff I allowed to grow. I hired Gary Reiner from the Boston Consulting Group in 1991 as head of business development. We changed the group's focus from acquisitions to driving ideas in support of the initiative across the company. His group was principally made up of 20 or so MBAs who had been in consulting for three to five years and wanted to get into the real world.³⁰

This characterization shows little recognition that this new initiatives group was undertaking strategic planning, albeit in a different way than before. Portfolio planning and the strategy books

developed as part of formal planning were gone, but the integrated strategic planning system, with its scheduled program of meetings (Boca - the annual kickoff conference at Boca Raton - the S1, S2 and Session C planning reviews, and the Corporate Executive Committee meetings) developed by Jones - and much criticized by Mintzberg - remained in place.

A key change in the micro-level activities of the strategic planning cycle organization was the elimination of the bound strategic books for Session 1, and their replacement with seven-page memos focusing on strategic opportunities, as well as on the Businesses' plans for implementing corporate strategy initiatives. As an example, Six Sigma was introduced as a corporate-wide initiative at Boca in 1996, with GE's Medical Systems business being selected as a pilot program for Six Sigma implementation. At the business unit level, the medical business had limited capabilities in quality initiatives relative to its competitors. Business leaders were instructed to incorporate Six Sigma into their S1 strategy reviews. As a direct consequence of this strategic initiative, GE Medical Systems introduced in 1997 its first CT scanner product that incorporated Six Sigma design processes. GE invested \$200 million in Six Sigma training and GE Medical Systems itself trained 10,000+ people in Six Sigma methodology and completed 73 projects. In 1998, GE appointed a new Vice President for Six Sigma.

Given the continued success of GE's planning cycle - originally called the strategic planning system - it was rechristened the 'GE Operating System' and highlighted in the 1999 Annual Report:

This operating system is based on an informal but intense, regular schedule of reviews designed to create momentum for the initiative. It progresses with a drumbeat regularity throughout our business year — year after year. A typical initiative — Product Services, say, or Six Sigma Quality — is launched with passionate intensity at the meeting of our 600 global leaders in January. A commitment to the initiative is made. Every subsequent event in the Company is developed around implementing and expanding the initiative: resources are allocated; high visibility jobs are created; intense communications start throughout the businesses; and work begins.

Each quarter throughout the year, the leaders of our businesses meet [i.e., the Corporate Executive Committee, originally developed under Cordiner] to share what each of them has done to drive the initiative. At these meetings, leaders ranging from the Reinsurance CEO, to the NBC executive, to the head of the Industrial Systems business describe how they are implementing the particular initiative in their own operations. The incredible amount of learning that comes from this shared experience expands the initiative and energizes their efforts.

Every Company activity and every Company event during the year add energy and momentum to the initiative. In these same quarterly meetings, for example, every Business Management Course class at our Management Development Institute — 50 to 60 of our highest potential leaders — reports back on its three-week experience in the field on the best practices they found from other companies around the world — and they are brutally honest on how we stack up vis-à-vis the best they saw. This candid feedback really picks up the pace.

The same is true for Human Resources reviews [Session C, first developed by Jones]. In April and May, the Corporate Executive Office and Human Resources leaders go into the field for full-day personnel reviews at each location, where the people leading and practicing the initiatives present their progress, and a clear assessment is made of the capabilities and the level of intensity of the people involved in the initiative. We want only the best, the brightest and the most committed to be in these leadership roles, and the focus on talent is relentless This operating system propels what has become a 'learning engine' and embeds these initiatives in the DNA of the Company (GE Annual Report 1999).

In contrast to Welch's own account, which suggests the GE operating system was his innovation, our discussion highlights how the structure of governance channels was built on the foundations of earlier developments by Cordiner, Borch and Jones. The operating system was none other than the

network of the Boca, Session 1, Session II, Session C, and the Corporate Executive Committee meeting governance channels. None of these channels were developed by Welch, and their integration into a unified system of strategic decision making was achieved by Jones. The system continued under Welch, although strategy reviews were simplified and strategic planning books were no longer required.

the structure of governance channels [under Welch] was built on earlier developments by Cordiner, Borch and Jones.

What was fundamentally different under Welch was the focus on corporate initiatives rather than SBU or sector plans as a center of strategic planning attention. A focus on operational strategy permeated the initiatives, although some, such as Product Services and Globalization, had important product development and marketing emphases. All sessions, however, were initiative-oriented, and involved an open two-way dialogue between corporate and business unit executives.³¹ Greater emphasis was also placed on the Session C human resources reviews, which were now more directly under the purview of the CEO, (rather than of the human resources staff), and became more closely coordinated with the Session I strategy reviews, and also more directly tied to corporate wide strategy initiatives. By changing the content of Session I and Session C reviews, and directly coupling strategy and executive development reviews, Welch turned a strategic planning system which had focused more on financial indicators into a corporate planning process focused on corporate strategy initiatives.

Mintzberg's analysis of strategic planning at GE characterizes the company as 'first-in and first-out' in terms of strategic planning, and Welch as dismantling the planning process. A closer examination of the changes to strategy review reveals a more subtle change. The annual planning cycle at GE, much criticized by Mintzberg, was not been dismantled, but evolved into what the company now calls the GE Operating System. The focus of the management channels shifted from coordinating planning with budgeting toward coordination strategy formulation with implementation. Strategies were no longer formulated as plans, but as strategic initiatives, reflecting the identification by business units of both unit specific drivers of profitability and competitive position and such corporate level initiatives as e-Business, digitization, Six Sigma and Global Sourcing. Corporate strategy reviews focused on the transfer of knowledge about best operational practices.

Under Welch, corporate strategy formulation and implementation was coordinated, in part, through the Corporate Executive Council, which incorporated the functions of the now-defunct Corporate Policy Board. The new CEC was larger in size than under Jones, primarily because a larger number of business units participated in the channel. More than the other CEOs, Welch relied heavily on centralized strategic initiatives primarily developed at the corporate level. Under Welch, corporate strategy development emphasized acquisition and divestitures, as well as operational strategies communicated and implemented throughout the organization. Portfolio management, although not a formal part of business level planning, was a key part of the strategy, with the initiative requiring businesses to be #1 or #2 in their area. For GE Capital, acquisitions and post-acquisition integration were critical capabilities. For developing and implementing operations strategies, and with the key corporate strategy channels partially coupled to HR processes and operational channels, initiatives such as globalization, emphasis on services, and Six Sigma were more readily retained and implemented.

Jeffrey R. Immelt (2001-present)

Immelt has put in place several new review channels, including the Commercial Council and the Operating Council, to complement GE's existing strategic planning processes. The Commercial Council is designed to assess growth strategies and review proposals from business leaders (i.e. line managers) for taking GE into new lines of business, geographic areas or customer bases.

Once approved, such innovation initiatives are given budgets, placed in business units, and given significant attention from corporate management to ensure they have the chance to succeed amidst corporate selection mechanisms that favor short-term, immediate return investments. New ventures are thus driven less by staff and more by line managers. In 2007, GE increased its focus on long-term gains in productivity, and the Operating Council was created to guide planning initiatives in product management, sourcing, lean Six Sigma, and capital allocation.

[Immelt's] Commercial Council [focuses] on long-term planning designed to address technology and business environment changes that will impact the firm in 10–15 years.

The focus of the Commercial Council is on long-term planning, and the initiatives emerging from it are designed to address the changes in technology and the business environment that will impact the firm 10–15 years into the future. This is part of a larger program by Immelt to focus on organic growth in revenues and profitability as key to GE's formal strategic planning process. To this end, he has utilized the firm's training facility at Crotonville to introduce strategic planning-related tools to managers, including scenario planning and system dynamics modeling as well as classes on how to create new lines of business. Consistent with the new emphasis on growth, Session 1 has been renamed the 'Growth Playbook' and Session 2 the 'Operating Plan'.

Immelt's regime has also been characterized by an emphasis on strategic themes, each corresponding to a global trend and targeted area for growth of the firm. The first of these, launched in 2004, was a multi-disciplined campaign called *ecomagination*, which focused on applying GE technology to drive energy efficiency and improve environmental performance. As the company's Annual Report for that year notes, its overall technical depth, product breadth and reputation gave it the foundation to lead this growth initiative.

Immelt has streamlined GE's divisional headquarters by reorganizing the 11 business units into six industry-focused businesses (akin to Jones' sectors): GE Infrastructure; GE Industrial; GE Commercial Finance; NBC Universal; GE Healthcare and GE Money. This restructuring has enabled Immelt to exert greater control over the firm, by organizing it around its strategic themes and providing a structure that enables the firm to increase its enterprise-level sales efforts.

Decision-making channels exist within GE's business development effort, which includes 230 people, of which 25% are at headquarters and the rest spread around GE's six main business units. Immelt chairs monthly meetings to ensure a pipeline of potential acquisition candidates. Acquisitions in excess of \$3M require Immelt's approval, and are based on financial and strategic criteria, with planning involving the strategy of how the target is to be integrated. Immelt's tenure is further characterized by the greater involvement of the Board of Directors in strategic planning discussions.³²

Findings

The governance channels used for strategic planning by each of the CEO's are shown in [Figure 1](#). Boxes represent key governance channels and arrows indicate the directional flow of issues and initiatives across channels, and new channels are shaded. [Table 1](#) presents a comparison of strategic planning channels, positions and vocabularies across the six CEO regimes. Contrary to conventional accounts of strategic planning at GE, we find that:

1. Formal strategic planning activities have been conducted under all GE CEO's since at least Wilson.
2. While strategic planning was an ad hoc activity under Wilson, an integrated system of strategic planning activities and decision making was first instituted under Cordiner, which - while substantially transformed by each of the subsequent CEOs according to his own management

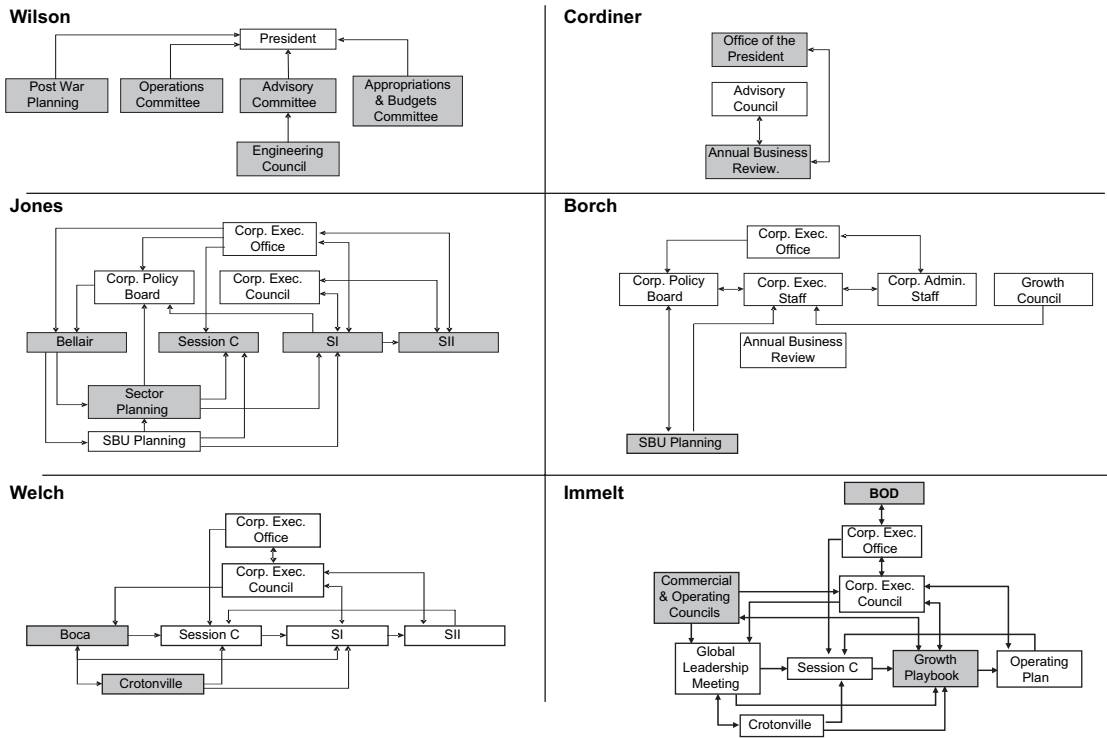


Figure 1. Flows of Issues and Initiatives across Channels at General Electric under Six CEO Regimes

- style - continues until the present. This finding contradicts the FIFO model of strategic planning at GE, where Borch is considered to have instituted strategic planning and Welch to have abandoned it.
3. The decentralization of strategic planning began under Cordiner, with Divisional strategic planning, and was further developed under Borch and Jones with SBU planning. While planning was decentralized, the planning process has been controlled from corporate headquarters under a tightly-coupled planning system (Boca, Session I, Session II, Session C, Corporate Executive Committee meetings) developed under Jones and continuing to this day. These findings again contradict the conventional view that strategic planning was centralized under Borch and Jones and devolved to the business unit level under Welch.
 4. Strategic planning was not an academic exercise at GE, but affected key strategic resource commitments such as its diversification into plastics and computers, the integration of GE appliances in the Louisville Appliance park facility, the transformation of GE's X ray business into disruptive medical imaging technologies (such as CT scans and MRIs), strategic investments in Six Sigma, expansion into product services and the ecomagination initiative.

Formal strategic planning activities have been conducted since Wilson. ...integrated strategic planning and decision making, instituted under Cordiner, continue to the present, contradicting the [view] that Borch instituted strategic planning and Welch abandoned it.

Table 1. Comparison of Channels, Positions and Vocabularies

Charles Wilson (1940–1951)	Ralph J. Cordiner (1951–1963)	Fred J. Borch (1963–1971)	Reginald H. Jones (1971–1981)	John F. Welch (1981–2001)	Jeffrey Immelt (2001–present)
CHANNELS:					
		Corporate Executive Office	Corporate Executive Office	Corporate Executive Office	Board of Directors Corporate Executive Office
President's Advisory Committee	Executive Advisory Committee		Corporate Executive Council	Corporate Executive Council	Corporate Executive Council
		Corporate Policy Committee	Corporate Policy Board		
Post-War Planning Committee		Growth Council			
Engineering Council		Corporate Executive Staff			Commercial Council Operating Council
	Annual Business Review	Annual Business Review	Bellair Session I, II Session C	Boca Session I, II Session C	Global Leadership Meeting Growth Playbook, Operating Plan Session C
		SBU Planning	SBU Planning		
POSITIONS:					
President	President	Chairman/CEO	Chairman/CEO	Chairman/CEO	Chairman/CEO
Assistant to the President		VP of Corporate Planning	SVP Corporate Strategic Planning SVP Corporate Development	VP of Business Development	SVP Corporate Business Development
		VP of Finance	SVP of Finance	SVP, CFO	SVP, CFO

(continued on next page)

Table 1 (continued)

Charles Wilson (1940–1951)	Ralph J. Cordiner (1951–1963)	Fred J. Borch (1963–1971)	Reginald H. Jones (1971–1981)	John F. Welch (1981–2001)	Jeffrey Immelt (2001–present)
	VP Mgmt Consultation Services			SVP, CIO	SVP, CIO
	VP of Marketing Services			VP of Financial Planning	SVP, CMO VP of Financial Planning and Analysis
			Sector heads	President and CEO of BU	President and CEO of BU
	Groups and divisional VPs	SBU heads	SBU heads		
VOCABULARIES:					
Long range planning	Long range planning	Strategic planning	Strategic planning system	Operating system	Operating system
Policy development	Policy development	Policy development	Strategic planning		Growth strategy
			Policy development	Corporate initiatives	Strategic themes
	Business planning	SBU planning	Corporate development	Business development	Corporate business development
		Portfolio planning	SBU planning		
			Portfolio planning		

5. The vocabulary of strategic planning activities evolved at GE, with different labels being used to describe activities involved in strategy formulation, programming and control. The label *long-range planning*, which primarily involved forecasting and operational planning under Wilson, came to mean planning for the accomplishment of corporate goals and objectives, and the achievement of corporate growth and competitive profitability, activities that conform to the now institutionalized definitions of strategic planning. The label *strategic planning* was first formally adopted under Borch, flourished under Jones, was abandoned under Welch, and is being used once again under Immelt. Under Borch and Jones, the term became associated with the development of formal bound strategic planning books, portfolio planning, and SBU-level planning. While these activities were abandoned under Welch, other strategic planning initiatives flourished under the terms *development*, *corporate initiatives*, and *the Operating System*.
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The label strategic planning was first formally adopted under Borch, flourished under Jones, was abandoned under Welch, and is being used once again under Immelt.

6. Strategic planning has been a distributed activity under all six regimes, with CEO and top management involvement as well as participation from both line and staff. A specialized planning function to coordinate the activities was first instituted under Borch and Jones, but Wilson, Welch and Immelt were each themselves responsible for coordinating strategic planning. Staff assistants were critical for all CEOs, with Welch relying particularly on the VP of Development for the formulation of corporate strategic planning initiatives.
 7. Formal communication and decision-making channels have played an important role in strategic planning at GE. As [Figure 1](#) highlights, a wide variety of channels have been adopted, retained and repurposed in an evolutionary process. The Corporate Executive Committee, linking both line and staff activities, was first instituted under Cordiner (previously designated the President's Advisory Committee), and while dropped by Borch, was reinstated by Jones and has continued until today. The Annual Business Review under Cordiner was differentiated into manpower reviews, strategic and operational planning (Session, C, Session I and II, respectively) under Jones, and again continues to this day. Immelt has expanded the use of governance channels for strategic planning with the establishment of the Commercial Council and the Operating Council. In all, Borch and Jones greatly elaborated, through staff channels and SBU planning, the system inherited from Cordiner. Welch streamlined Jones's system, but kept many of the channels in place and repurposed them to facilitate the execution of his agenda.
 8. Consistent with recent studies on strategic planning, we find that strategic planning activities have undergone a significant transformation since the 1980s. However, in contrast to the situation that Grant reports at the oil majors, strategic planning at GE has remained integrated with corporate-level strategy development and decision making. What is distinctive about GE's strategic planning system is how strategy development, operational planning and manpower planning are tightly coupled activities, an integration across planning functions that was initiated by Jones and has continued since. While the internal processes of the various governance channels were changed by Welch and Immelt to reflect changing corporate agents and management styles, the centrality of the integrated planning system to formulate, coordinate and control corporate strategy has remained intact.
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strategic planning is not a management fad, but an enduring and evolving management practice.

Discussion and conclusion

The sixty-year evolution of strategic planning practices at GE indicates that strategic planning is not a management fad, but an enduring and evolving management practice. Strategic planning is more than the application of any specific tool or technique, whether it be long range forecasting, PIMS, SBU planning, Six Sigma, or any specific planning methodology. While specific management practices (such as SBU planning) were first adopted and subsequently abandoned at GE, strategic planning practices have remained consequential because of their direct impact on strategic decision making.

Our analysis suggests that strategic planning systems evolve over time and are subject to transformation by the CEO. The system's evolution reflects its history, the current environment, the organization's decision making structure and changing leadership agendas. Though significant transformations of planning practices occurred under every one of the CEOs studied, our analysis indicates that strategic planning practices are not invented *de novo*, but reflect the history of component strategic planning channels, positions and vocabularies. For example, the *GE Operating System* was a new name introduced by Welch for a network of channels that had developed over many decades, and was a direct descendant of Jones' strategic planning system. The success of Welch's planning system was the result, in part, of its precursors under Borch and Jones, and of the financial control system initiated by Cordiner. Rather than create new channels, Welch primarily repurposed existing channels (such as Session C, Boca and the CEC) to focus attention on corporate initiatives and leadership development.

Understanding the evolution of a strategic planning system requires that we examine not only the adoption, transformation or abandonment of its component parts, but also how changes in practices interact with other parts of the system. For example, the effects of both adopting and abandoning SBU planning by Borch and Welch respectively, must be understood in the context of the on-going practices of annual planning and business reviews, originally developed by Cordiner and continuing to this day. In an age of 'celebrity CEOs', the tendency is to highlight innovations in practices, without relating changes to continuing activities.³³

Our analysis of the history of strategic planning at GE provides a new perspective on how strategic planning is organized. Unlike Chandler and Williamson's characterization of strategic planning as the exclusive responsibility of corporate headquarters, GE's history reveals how strategic planning practices can effectively be a responsibility shared between both corporate executives and operating unit managers.³⁴ Decision-making channels that integrate participants from different organizational levels are consequential to achieving collective engagement in strategic planning activities. Our historical analysis further indicates that characterizing planning as either line or staff activities is a great over-simplification. What is common to strategic planning throughout GE's history is the centrality of the CEO in both its design and implementation. Staff have always played a role in assisting the CEO in strategic planning, yet even under the eras of greatest staff influence on strategic planning (during Borch's and Jones' tenures) strategic planning directly involved line managers at multiple organizational levels. While strategic planning staff may play an important role, strategic planning cannot be exclusively a staff activity if it is to be consequential for strategic decision-making and organizational action.

to be consequential, planning must be closely coupled with concrete organizational initiatives

The analysis of strategic planning at GE suggests that planning, to be consequential, must be closely coupled with concrete organizational initiatives. The Louisville Appliance Park, GE's exit from the computer industry, long run investments in Lexan, and the incorporation of Six Sigma into GE Medical Systems product development efforts, were all directly influenced by

strategic planning activities at GE. The success of these initiatives lent credibility and support to strategic planning systems. The continuing viability of strategic planning at GE, in its various forms, suggests that planning cannot be decoupled from operational activities, nor strategizing from managing.

The GE case further reveals that the conventional history of strategic planning conflates changes in the labels that describe planning and strategizing with changes in strategic planning activities. The vocabularies used to characterize strategic planning activities evolve as practices evolve, with both changes in words or labels used to categorize key activities, and changes in the meaning of the words. While different labels like *long range planning*, *strategic planning*, and *strategic management* are used at some times to mean very similar practices, at other times they reflect quite distinct activities. However, the use of distinct labels often implies greater discontinuities than are actually revealed by our careful examination the evolution of actual practices. GE did not invent the term *strategic planning*, but the abandonment of the label during Welch's era has led, in our judgment, to a misunderstanding of the continuing importance of planning as a form of strategizing and as an integrated part of GE's system of management. *Strategic management* has replaced *strategic planning* as a favored term to characterize best practices in strategizing, but the history of GE reveals that strategic planning, as a system of practices, is central to strategic management.

The centrality, endurance and effectiveness of strategic planning at GE have important implications for practitioners. CEOs should adapt the design of strategic planning systems to reflect their own strategic agenda and management style. CEO commitment to strategic planning is required for its centrality in strategy formulation and implementation, and this commitment requires the CEO to have direct involvement in the design of the system. At GE, each CEO actively engaged in transforming the design of the strategic planning system to meet their own priorities and to reflect their own experience, management style and background, as well as the changing market and institutional environments.³⁵ For example, Jones' financial orientation and more detached management style were facilitated by the adoption of a hierarchical system of SBUs and Sectors. Welch transformed the GE's strategic planning system to reflect his operational orientation and cost-cutting agenda, eliminating the SBUs and Sectors and incorporating Crotonville into his agenda management system. Immelt's addition of the Commercial Council reflects his focus on organic growth through product and market development. These examples indicate that no single form of strategic planning system can serve all corporate agendas and orientations, and CEOs should adapt the design of the planning system to meet their vision and agenda for the corporation.

no single form of strategic planning system can serve all corporate agendas: CEOs should adapt their planning system design to meet their vision for the corporation.

The GE experience also reveals the critical importance of governance channels for the design of strategic planning systems. Governance channels generate opportunities for formulating, implementing, and monitoring strategy, and create a formal setting for strategic decision making. Two design features of channels are essential for practitioners: channel specialization and channel integration. Given the complexity of strategy formulation, implementation and control, specialized governance channels are required to focus attention on particular aspects of strategizing. At GE business strategy formulation, financial planning and manpower planning are distinct components of its integrated strategic planning system and specialized channels: Growth Playbook, Operating Plan and Session C have been developed to focus attention on each of these three functions: strategic agenda management, operational planning, and executive development.

For practitioners interested in the craft of strategy, our analysis illustrates how formal strategic planning can be most effective when understood not as an ad hoc process, but as a part of an integrated system of formal channels for developing strategic and operating plans, reviewing executive manpower needs, financial reporting and evaluation, and agenda management. Information and communications flows across channels are just as important, if not more, than the formal reporting relationships in the organizational chart. Channel integration is facilitated through common issues, initiatives, positions and vocabularies, across the channels. By strengthening the integration of agendas across channels, firms may more effectively communicate corporate strategic priorities, allocate resources, train and evaluate executives, bolster moral, report on competitors, integrate acquisitions and monitor performance. When new governance channels are created, such as Immelt's Commercialization Council, they are likely to be most effective when tightly coupled with existing governance channels to ensure that the decision making system remains coherent and that critical issues and initiatives remain the focus of attention throughout the system.

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